

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Deerfield	County Isabella
Audit Date March 31, 2007	Opinion Date August 2, 2007	Date Accountant Report Submitted to State: August 3, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., PC			

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
PO. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

August 2, 2007

To the Township Board
Township of Deerfield
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Deerfield, Isabella County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Deerfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Deerfield, Isabella County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Deerfield covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$644,271.26 from governmental activities with a \$11,287.10 decrease in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total net assets at March 31, 2007, were \$858,687.92.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$484,541.57.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$30,933.87 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 571 W. Pickard Road, Mount Pleasant, Michigan 48858.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>734 354 75</u>
Total Current Assets	<u>734 354 75</u>
NON-CURRENT ASSETS:	
Capital Assets	960 371 22
Less: Accumulated Depreciation	<u>(479 170 12)</u>
Total Non-current Assets	<u>481 201 10</u>
TOTAL ASSETS	<u><u>1 215 555 85</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>12 801 80</u>
Total Current Liabilities	<u>12 801 80</u>
NON-CURRENT LIABILITIES	<u>344 066 13</u>
Total Non-current Liabilities	<u>344 066 13</u>
Total Liabilities	<u>356 867 93</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	137 134 97
Unrestricted	<u>721 552 95</u>
Total Net Assets	<u>858 687 92</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 215 555 85</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	12 529 28	-	(12 529 28)
General government	169 362 34	27 786 15	(141 576 19)
Public safety	168 523 88	1 425 00	(167 098 88)
Public works	289 355 37	-	(289 355 37)
Interest on long-term debt	15 787 49	-	(15 787 49)
Total Governmental Activities	<u>655 558 36</u>	<u>29 211 15</u>	<u>(626 347 21)</u>
General Revenues:			
Property taxes			279 040 44
State revenue sharing			215 604 91
Interest			21 347 73
Miscellaneous			<u>99 067 03</u>
Total General Revenues			<u>615 060 11</u>
Change in net assets			(11 287 10)
Net assets, beginning of year			<u>869 975 02</u>
Net Assets, End of Year			<u>858 687 92</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	600 342 89	126 031 88	726 374 77
Due from (to) other funds	<u>77 399 02</u>	<u>(69 419 04)</u>	<u>7 979 98</u>
Total Assets	<u>677 741 91</u>	<u>56 612 84</u>	<u>734 354 75</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>11 481 20</u>	<u>1 320 60</u>	<u>12 801 80</u>
Total liabilities	<u>11 481 20</u>	<u>1 320 60</u>	<u>12 801 80</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>666 260 71</u>	<u>55 292 24</u>	<u>721 552 95</u>
Total fund equity	<u>666 260 71</u>	<u>55 292 24</u>	<u>721 552 95</u>
Total Liabilities and Fund Equity	<u>677 741 91</u>	<u>56 612 84</u>	<u>734 354 75</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	721 552 95
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	960 371 22
Accumulated depreciation	(479 170 12)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	<u>(344 066 13)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>858 687 92</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Total</u>
Revenues:			
Property taxes	92 968 59	186 071 85	279 040 44
Licenses and permits	1 425 00	-	1 425 00
State revenue sharing	215 604 91	-	215 604 91
Charges for services – PTAF	4 532 50	-	4 532 50
Charges for services – other	910 40	2 818 25	3 728 65
Interest	21 219 18	128 55	21 347 73
Rent	19 525 00	-	19 525 00
Miscellaneous	<u>97 749 65</u>	<u>1 317 38</u>	<u>99 067 03</u>
Total revenues	<u>453 935 23</u>	<u>190 336 03</u>	<u>644 271 26</u>
Expenditures:			
Legislative:			
Township Board	12 529 28	-	12 529 28
General government:			
Supervisor	10 200 00	-	10 200 00
Elections	4 567 96	-	4 567 96
Assessor	20 497 70	-	20 497 70
Clerk	12 995 66	-	12 995 66
Board of Review	3 898 66	-	3 898 66
Treasurer	15 872 13	-	15 872 13
Building and grounds	49 278 23	-	49 278 23
Cemetery	2 869 00	-	2 869 00
Unallocated	31 496 00	-	31 496 00
Public safety:			
Fire protection	-	104 773 74	104 773 74
Planning and zoning	5 648 90	-	5 648 90
Ambulance	25 332 68	-	25 332 68
Public works:			
Highways and streets	289 355 37	-	289 355 37
Debt service	<u>-</u>	<u>46 721 36</u>	<u>46 721 36</u>
Total expenditures	<u>484 541 57</u>	<u>151 495 10</u>	<u>636 036 67</u>
Excess (deficiency) of revenues over expenditures	(30 606 34)	38 840 93	8 234 59
Fund balances, April 1	<u>696 867 05</u>	<u>16 451 31</u>	<u>713 318 36</u>
Fund Balances, March 31	<u><u>666 260 71</u></u>	<u><u>55 292 24</u></u>	<u><u>721 552 95</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 8 234 59

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(50 455 56)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>30 933 87</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(11 287 10)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Deerfield, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Deerfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 2 before they are added to the county tax rolls. The 2006 tax roll millage rate was 2.9423 mills, and the taxable value was \$94,943,820.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30 years
Equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>734 354 75</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	500 000 00
Uninsured and Uncollateralized	<u>249 269 62</u>
Total Deposits	<u>749 269 62</u>

The Township of Deerfield did not have any investments as of March 31, 2007.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Buildings	300 000 00	-	-	300 000 00
Equipment	660 371 22	-	-	660 371 22
Total	960 371 22	-	-	960 371 22
Accumulated Depreciation	(428 714 56)	(50 455 56)	-	(479 170 12)
Net Capital Assets	531 656 66	(50 455 56)	-	481 201 10

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$3,283.15.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Changes in Long-Term Debt

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
Note Payable				
Fire Equipment	375 000 00	-	30 933 87	344 066 13

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 9 – Note Payable Fire Equipment

On June 22, 2005 the Township obtained \$375,000.00 from Fifth Third Bank to finance fire equipment. As of March 31, 2007, the principal amount outstanding was \$344,066.13. The payment schedule is as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
6-22-07	14 485 18	32 236 18
6-22-08	13 128 04	33 593 32
6-22-09	11 713 76	35 007 60
6-22-10	10 239 94	36 481 42
6-22-11	8 704 07	38 017 29
6-22-12	7 103 54	168 730 32
Total	<u>65 374 53</u>	<u>344 066 13</u>

Note 10 – Building Permits

The Township of Deerfield does not issue building permits. Building permits are issued by the Joint Construction Code Authority.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	69 419 04	Fire	69 419 04
General	<u>7 979 98</u>	Current Tax Collection	<u>7 979 98</u>
Total	<u>77 399 02</u>	Total	<u>77 399 02</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	93 000 00	93 000 00	92 968 59	(31 41)
Licenses and permits	1 000 00	1 000 00	1 425 00	425 00
State revenue sharing	213 000 00	213 000 00	215 604 91	2 604 91
Charges for services – PTAF	-	-	4 532 50	4 532 50
Charges for services – other	1 000 00	1 000 00	910 40	(89 60)
Interest	5 000 00	5 000 00	21 219 18	16 219 18
Rent	15 000 00	15 000 00	19 525 00	4 525 00
Miscellaneous	32 000 00	82 000 00	97 749 65	15 749 65
Total revenues	<u>360 000 00</u>	<u>410 000 00</u>	<u>453 935 23</u>	<u>43 935 23</u>
Expenditures:				
Legislative:				
Township Board	18 000 00	18 000 00	12 529 28	(5 470 72)
General government:				
Supervisor	20 000 00	20 000 00	10 200 00	(9 800 00)
Elections	6 000 00	6 000 00	4 567 96	(1 432 04)
Assessor	25 000 00	25 000 00	20 497 70	(4 502 30)
Clerk	19 000 00	19 000 00	12 995 66	(6 004 34)
Board of Review	5 000 00	5 000 00	3 898 66	(1 101 34)
Treasurer	24 000 00	24 000 00	15 872 13	(8 127 87)
Building and grounds	40 000 00	55 000 00	49 278 23	(5 721 77)
Cemetery	15 000 00	15 000 00	2 869 00	(12 131 00)
Unallocated	74 000 00	74 000 00	31 496 00	(42 504 00)
Public safety:				
Planning and zoning	10 000 00	10 000 00	5 648 90	(4 351 10)
Ambulance	84 400 00	84 400 00	25 332 68	(59 067 32)
Public works:				
Highways and streets	<u>372 000 00</u>	<u>372 000 00</u>	<u>289 355 37</u>	<u>(82 644 63)</u>
Total expenditures	<u>712 400 00</u>	<u>727 400 00</u>	<u>484 541 57</u>	<u>(242 858 43)</u>
Excess (deficiency) of revenues over expenditures	(352 400 00)	(317 400 00)	(30 606 34)	286 793 66
Fund balance, April 1	<u>385 000 00</u>	<u>385 000 00</u>	<u>696 867 05</u>	<u>311 867 05</u>
Fund Balance, March 31	<u>32 600 00</u>	<u>67 600 00</u>	<u>666 260 71</u>	<u>598 660 71</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	91 000 00	91 000 00	186 071 85	95 071 85
Charges for service	1 500 00	1 500 00	2 818 25	1 318 25
Interest	60 00	60 00	128 55	68 55
Miscellaneous	<u>1 080 00</u>	<u>1 080 00</u>	<u>1 317 38</u>	<u>237 38</u>
Total revenues	<u>93 640 00</u>	<u>93 640 00</u>	<u>190 336 03</u>	<u>96 696 03</u>
Expenditures:				
Public safety:				
Fire protection	123 787 35	123 787 35	104 773 74	(19 013 61)
Debt service	<u>47 000 00</u>	<u>47 000 00</u>	<u>46 721 36</u>	<u>(278 64)</u>
Total expenditures	<u>170 787 35</u>	<u>170 787 35</u>	<u>151 495 10</u>	<u>(19 292 25)</u>
Excess (deficiency) of revenues over expenditures	(77 147 35)	(77 147 35)	38 840 93	115 988 28
Fund balance, April 1	<u>77 147 35</u>	<u>77 147 35</u>	<u>16 451 31</u>	<u>(60 696 04)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>55 292 24</u>	<u>55 292 24</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Salaries	6 626 70
Dues and education	1 826 58
Miscellaneous	4 076 00
	<u>12 529 28</u>
Supervisor:	
Salary	<u>10 200 00</u>
Elections:	
Wages	4 318 80
Miscellaneous	249 16
	<u>4 567 96</u>
Assessor:	
Contracted services	20 002 70
Miscellaneous	495 00
	<u>20 497 70</u>
Clerk:	
Salary	12 072 83
Operating supplies	432 68
Miscellaneous	490 15
	<u>12 995 66</u>
Board of Review:	
Wages	2 000 00
Miscellaneous	1 898 66
	<u>3 898 66</u>
Treasurer:	
Salary	13 063 87
Operating supplies	1 330 31
Miscellaneous	1 477 95
	<u>15 872 13</u>
Building and grounds:	
Wages	11 162 50
Operating supplies	2 144 75
Contracted services	22 830 76
Utilities	7 948 56
Repairs and maintenance	1 719 47
Miscellaneous	3 472 19
	<u>49 278 23</u>
Cemetery:	
Contracted services	2 804 00
Miscellaneous	65 00
	<u>2 869 00</u>
Unallocated:	
Accounting	5 432 00
Audit	3 600 00
Attorney	440 00
Insurance	16 547 00
Pension	3 283 15
Payroll taxes	2 193 85
	<u>31 496 00</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Planning and zoning:	
Wages	1 300 00
Contracted services	3 000 00
Miscellaneous	<u>1 348 90</u>
	<u>5 648 90</u>
Ambulance:	
Contracted services	24 900 00
Miscellaneous	<u>432 68</u>
	<u>25 332 68</u>
Highways and streets:	
Contracted services	288 750 79
Street lighting	<u>604 58</u>
	<u>289 355 37</u>
Total Expenditures	<u><u>484 541 57</u></u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>7 924 41</u>	<u>3 006 263 39</u>	<u>3 006 207 82</u>	<u>7 979 98</u>
<u>Liabilities</u>				
Due to other funds	7 924 41	280 183 94	280 128 37	7 979 98
Due to others	<u>-</u>	<u>2 726 079 45</u>	<u>2 726 079 45</u>	<u>-</u>
Total Liabilities	<u>7 924 41</u>	<u>3 006 263 39</u>	<u>3 006 207 82</u>	<u>7 979 98</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 2, 2007

To the Township Board
Township of Deerfield
Isabella County, Michigan

We have audited the financial statements of the Township of Deerfield for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Deerfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Deerfield
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants